



Tax alert: Amendments to the Finance Bill, 2026 as passed by Lok Sabha

13 April 2026

Lok Sabha has passed Finance Bill, 2026 with certain amendments.

Background

The Finance Bill, 2026 (FB 2026) was presented by the Hon'ble Finance Minister (FM) on 1 February 2026. After considering representations from various stakeholders, an amendment to FB 2026 (FB 2026 Amendments) was placed before the Lok Sabha on 26 March 2026, which has been passed. Further, explanatory memorandum has been issued to the FB 2026, which clarifies certain FB 2026 Amendments.

Key highlights of the FB 2026 Amendments in relation to Income-tax Act, 1961 (ITA) and Income-tax Act, 2025 (ITA 2025) are as follows:

- **Renewed 10-Year Tax Holiday for Overseas Banking Units (OBUs) in IFSC under ITA 2025**

Section 147 of the ITA 2025 currently provides a 100% tax deduction on income earned by an Offshore Banking Unit (OBU) of a scheduled or foreign bank operating in IFSC for 10 consecutive tax years. The FB, 2026 increased this benefit period to 20 continuous years.

However, industry representations highlighted that some OBUs had already completed their initial 10-year deduction period as of 31 March 2025 and hence, would not have been able to avail the extended benefit due to a break in continuity.

To address this gap, the FA 2026 amendments allow OBUs whose tax holiday period expired on 31 March 2025 to claim a fresh deduction for a period of 10 consecutive tax years, beginning 1 April 2026. This relief will apply prospectively, and no deduction will be available for the intervening tax year 2025-26.

- **Taxation provisions for buyback**

Section 69 of the ITA 2025 was proposed to be amended to provide that consideration received on buy-back of shares shall be taxable as "Capital gains". Further, it was also proposed that an additional tax be levied on the promoters.

Such additional tax be charged at differential rates based on the nature of the capital gains and the status of the promoter: This additional tax applies exclusively to promoters and is charged at differential rates based on the nature of the capital gains and the status of the promoter: for short-term capital gains (STT paid), the additional tax is 2% for a domestic company promoter and 10% for a non-corporate promoter,

while for long-term capital gains, it is 9.5% for a domestic company promoter and 17.5% for other promoters.

The FB 2026 amendments now ensure that the additional tax framework for promoters applies only to buy-backs undertaken in accordance with section 68 of the Companies Act, 2013.

The FB 2026 amendments also proposes to levy a surcharge at 12% on the tax specified in section 69 of the ITA 2025.

- **Increase in turnover limit for eligible start-ups**

Section 140 of the ITA 2025 prescribes certain conditions for an eligible start-up to claim certain specified exemption. One such condition for the eligible startup is that the turnover of the relevant entity in a particular tax year should not exceed INR 1 billion.

The FB 2026 amendment now, with effect from 1 April 2026, increases this limit to INR 3 billion. Accordingly, an eligible startup whose turnover does not exceed INR 3 billion will be eligible to the specified exemption, subject to fulfilment of other conditions.

- **Order of Income-tax Appellate Tribunal (ITAT) to be sent relevant income-tax authorities electronically**

The FB 2026 amendment has now introduced a new section 254(3A) of the ITA 1961, wherein the ITAT's order must now be sent to the jurisdictional Principal Commissioner or Commissioner electronically through the designated portal for orders passed on or after 1 October 2026.

Similar amendment has also been made in section 363 of ITA 2025 requiring an order passed by the ITAT to be sent electronically to the jurisdictional Principal Commissioner or Commissioner via the designated portal.

- **Certain specified proceedings in which approvals of income-tax authority not to invalid**

The FB 2026 amendment has inserted a new section 292BC in the ITA 1961 and section 522(3) in the ITA 2025 to validate approvals given by the income-tax authority in relation to any assessment, reassessment or recomputation, notwithstanding anything contained in the Act or in any judgement, order or decree of any court and deem them to be administrative and supervisory in nature.

Accordingly, such approvals shall not be invalid or deemed to be invalid by reason of any:

- Insufficiency of reasons recorded; or
- Defect in the form or manner of its authentication or communication including whether digital signature has been appended to such approval or not where such approval is granted electronically.

The clarification in ITA 1961 shall come into force retrospectively with effect from 1 April 2021. The amendment in ITA 2025 shall come into force with effect from 1 April 2026.

- **Minimum period specified for furnishing return in reassessment cases**

Reassessment notices generally require filing of return by the taxpayer within a period not exceeding three months from the end of the month in which the reassessment notice is issued. Currently, no minimum time limit is prescribed, leading to operational and compliance challenges for taxpayers.

To address taxpayer concerns around short timelines to respond to reassessment notices, a statutory minimum period of 30 days for filing a return of income in response to a reassessment notice has been

introduced.

The amendment is proposed under both the ITA 1961 and the ITA 2025. The date of effectivity for ITA 1961 shall be from 30 March 2026 and for ITA 2025 shall be 1 April 2026.

- **Timelines introduced for assessments following revenue success in courts**

In respect of order of the court under any other law, notice of reassessment could be issued at any time for making assessment or reassessment to give effect to any finding or direction contained in the order by a court. However, issuance of notice to give effect to any finding or direction contained in an order by court in any proceedings under Income-tax Act (other than cases where the proceedings have culminated in an order) is not explicitly covered.

To address situations where the Revenue succeeds in litigation but is unable to give effect to court findings due to limitation issues in cases where proceedings have not culminated in an order, it is proposed to amend section 150 of the ITA 1961 to explicitly permit issuance of reassessment notices to give effect to any finding or direction of a court, whether under the Income-tax Act or any other law.

A corresponding limitation will apply; reassessment can be initiated only if it was permissible at the time the proceedings relating to assessment or reassessment or recomputation under the Act (other than proceedings which have culminated in an order) which was subject matter before the Court were initiated.

Further, to ensure time-bound action, notice under section 148 in such cases must be issued within 3 months from the end of the quarter in which the certified copy of the order of the Court is received by the jurisdictional Principal Commissioner or Commissioner.

The amendment in the ITA 1961 is proposed to be effective from 1 February 2026 and it shall apply to the orders passed by the High Courts or Supreme Court on or after 1 February 2026. Similar amendment is made in the ITA 2025 which shall be effective from 1 April 2026.

- **Adjustment of refunds**

It is proposed to amend ITA 1961 and ITA 2025 to permit inter-se adjustment of refunds determined under one Act against demands raised under the other Act.

- **Reform in Tax Recovery Framework: Discontinuation of Arrest Provisions**

ITA 1961 and ITA 2025 empowered the Tax Recovery Officer to recover dues by arresting and detaining the defaulting assessee. It is now proposed to remove this power as other modes of recovery are considered sufficient.

Comment:

FB 2026 as amended, has now also being approved by the Rajya Sabha and has become an Act after the President's assent.



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